

Message Text

SECRET

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ACTION PM-04

INFO OCT-01 NEA-10 ISO-00 SS-15 NSC-05 SP-02 L-03 CIAE-00
INR-07 NSAE-00 EB-08 IGA-02 OMB-01 /058 W
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P 171212Z FEB 77
FM AMEMBASSY NEW DELHI
TO SECDEF WASHDC PRIORITY
INFO SECSTATE WASHDC PRIORITY 1351
CINCPAC HONLULU HI PRIORITY

S E C R E T NEW DELHI 2419

SECDEF FOR OASD-ISA-NESA/DSAA; CINCPAC FOR J47

FROM ODC

E.O. 11652: GDS
TAGS: MASS, IN
SUBJECT: PEACE INDIGO

1. DURING A 16 FEB 77 MEETING AT GOI MINISTRY OF DEFENCE BETWEEN
ODC CHIEF AND MOD OFFICIALS P.G. SALVI, JOINT SECRETARY,
FOREIGN AFFAIRS AND PLANNING, AND S. KOTEESWARAN, DEPUTY SECRE-
TARY, SYSTEMS, THE FOLLOWING QUOTED "MEMORANDUM" WAS PRESENTED
FOR APPROPRIATE ACTION:

QUOTE: (SECRET) THE GOVT OF INDIA PRESENTS ITS COMPLIMENTS TO
THE EMBASSY OF USA, NEW DELHI AND HAS THE HONOUR TO STATE THAT
AS PER CREDIT SALES ARRANGEMENT AGREEMENT BETWEEN MINISTRY OF
DEFENCE, GOVT OF INDIA AND THE DEFENCE DEPARTMENT OF THE UNITED
STATES FOR THE PEACE INDIGO PROGRAMME AND AMENDMENT NO. 2
THERE TO, DISBURSEMENTS UNDER THE AGREEMENT SHALL NOT BE MADE
SUBSEQUENT TO THE CLOSE OF BUSINESS ON 1.3.1977 UNLESS AND
TO THE EXTENT THE GOVT OF U.S. MAY GIVE ITS WRITTEN CONSENT TO
DISBURSEMENTS THEREAFTER.

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2. AS THE U.S. GOVT ARE AWARE, THERE HAS BEEN A SIGNIFICANT
SET BACK IN THE UTILISATION OF THE PEACE INDIGO CREDIT OWING
TO THE BANKRUPTCY OF REL-REEVES CORPORATION. GOVT OF INDIA
HAD PLACED CONTRACTS VALUED AT OVER DOLS 9.4 MILLION ON THIS
FIRM AND OWING TO ITS FAILURE TO MAKE SUPPLIES AND SUBSEQUENT
BANKRUPTCY, THE CONTRACTS HAD TO BE CANCELLED, AND PAYMENTS
MADE TO REL-REEVES RECOVERED. THROUGH THE GOOD OFFICES OF COL.

BROCKMAN, US DSRI, THE U.S. GOVT AGREED THAT THE AMOUNT REFUNDED WOULD BE RESTRICTED TO THE CREDIT AGREEMENT FROM WHICH THEY WERE DRAWN AND WILL BE AVAILABLE FOR FURTHER DISBURSEMENTS. ACCORDINGLY, GOVT OF INDIA REFUNDED A SUM OF DOLS 3.97 MILLION IN AUGUST, 1975. CONCLUSION OF CONTRACTS FOR THE EQUIPMENT DUE FROM REL-REEVES TOOK SOME TIME AS THESE HAD TO BE NEGOTIATED WITH THE SUCCESSORS OF REL REEVES AND OTHERS. AS A RESULT, CONTRACTS AMOUNTING TO DOLS 6.4 MILLION COULD BE PLACED DURING 1976 AND SUPPLIES ARE LIKELY TO BE COMPLETED IN 1978.

3. THE POSITION REGARDING THE UTILISATION OF THE CREDIT FOR THE PEACE INDIGO PROGRAMME IS THAT THE TOTAL COMMITMENTS ARE OF THE ORDER OF DOLS 16.5 MILLION. DISBURSEMENTS SO FAR MADE, AS PER STATEMENT OF ACCOUNT RECEIVED FROM DSAA IN JANUARY 1977 AMOUNT TO DOLS 9.996 MILLION. IF PAYMENTS SINCE AUTHORISED ARE RECKONED, THE DISBURSEMENTS WOULD BE OF THE ORDER OF DOLS 10.85 MILLION.

4. AS A RESULT, DISBURSEMENTS AMOUNTING TO DOLS 5.74MILLION ON OUTSTANDING COMMITMENTS REMAIN TO BE PAID IN RESPECT OF CONTRACTS ALREADY PLACED BY GOVT OF INDIA ON SEVERAL TRADE FIRMS OF USA AND THE US AIR FORCE. THESE CONTRACTS PROVIDE FOR PAYMENT OUT OF THE PEACE INDIGO CREDIT. NECESSARILY, THE LAST DATE FOR DISBURSEMENTS HAS TO BE SHIFTED FROM 1.3.1977 TO A LATER DATE. CONSIDERING THE LIKELY DATES FOR RECEIPT OF SUPPLIES, GOVT OF INDIA PROPOSE THAT THE REVISED DATE BE JUNE 30, 1979. IT WILL BE APPRECIATED THAT THE REASONS FOR INABILITY TO USE THE CREDIT AS ORIGINALLY ENVISAGED IS THE FAILURE OF REL REEVES CORPORATION AND ENTIRELY BEYOND THE CONTROL OF GOVT OF INDIA. THIS WILL ENABLE
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GOVT OF INDIA TO MAKE FULL USE OF THE CREDIT FOR PEACE INDIGO PROGRAMME.

5. IN THE MEANWHILE, GOVT OF INDIA URGE THAT DISBURSEMENTS BE CONTINUED TO BE EFFECTED BEYOND 1ST MARCH 1977 TO AVOID CONTRACTUAL COMPLICATIONS WITH TRADE FIRMS OF THE USA.

6. THE GOVTOF INDIA AVAILS ITSELF OF THIS OPPORTUNITY TO RENEW TO THE EMBASSY OF USA, NEW DELHI, THE ASSURANCES OF ITS HIGHEST CONSIDERATION.

NEW DELHI. 16TH FEBRUARY, 1977. (SECRET) UNQUOTE

2. MESSRS SALVI AND KOTEESWARAN WERE ADVISED THAT THE MEMORANDUM WOULD BE APPROPRIATELY HANDLED, AND A REPLY WOULD BE FORTHCOMING SHORTLY. MR. SALVI REQUESTED THAT THIS MATTER RECEIVE THE MOST IMMEDIATE ATTENTION IN VIEW OF THE DISBURSEMENT TERMINATION DATE OF 1 MARCH 1977 STIPULATED IN THE AGREEMENT.

3. IN VIEW OF THE POOR SHOWING OF PREVIOUS U.S. CONTRACTING FIRMS INVOLVED IN THE PROJECT, TO WIT: DCA AND REL-REEVES, AND

THE IMPORTANCE OF THE PROGRAM TO THE COMMUNICATIONS UP-DATE IN
THE GOI MILITARY FORCES, RECOMMEND THIS MATTER RECEIVE A FAVORABLE
CONSIDERATION AT THE EARLIEST POSSIBLE DATE. FYI: MR. SALVI
FURTHER STATED THE MATTER WOULD BE CONCURRENTLY TAKEN UP BY THE GOI
OFFICIALS IN WASHINGTON WITH APPROPRIATE U.S. SECURITY
ASSISTANCE OFFICIALS. END FYI.
SCHNEIDER

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NNN

Message Attributes

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Sent Date: 17-Feb-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Status: NATIVE
Subject: PEACE INDIGO
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